

Message Text

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PAGE 01 KUALA 07363 180847Z

17

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 IO-10 ISO-00 DODE-00

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2032

INFO AMEMBASSY BANGKOK

USMISSION EC BRUSSELS

AMEMBASSY CANBERRA

USMISSION GENEVA

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY LA PAZ

AMEMBASSY LONDON

AMEMBASSY OTTAWA

USMISSION OECD PARIS

C O N F I D E N T I A L KUALA LUMPUR 7363

E.O. 11652: N/A

TAGS: ETRD EMIN MY

SUBJ: TIN: EFFECT TO DATE OF EXPORT CONTROLS ON MALAYSIAN TIN
INDUSTRY

REF: LONDON 18959

1. BEGIN UNCLASSIFIED. 1975 HAS BEEN UNFORTUNATE YEAR FOR MALAYSIAN
TIN INDUSTRY, ESPECIALLY SINCE TIN EXPORT CONTROLS WERE IMPOSED IN
MID-APRIL. THERE HAS BEEN A SUBSTANTIAL DECREASE IN MINES AND
EMPLOYMENT. IN JANUARY TOTAL EMPLOYMENT WAS 44,097 BUT BY OCTOBER
WAS DOWN TO 40,922. THE NUMBER OF GRAVEL PUMP OPERATIONS HAS
FALLEN FROM 953 TO 848 FOR THE SAME PERIOD. THE NUMBER OF DREDGE
OPERATIONS HAS REMAINED CONSTANT, 56 OR 57 IN OPERATION EACH
MONTH. SINCE ALL BUT TWO OR THREE DREDGES ARE FOREIGN OWNED AND
ALMOST ALL GRAVEL PUMP MINES ARE MALAYSIAN (ETHNIC CHINESE) OWNED,
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PAGE 02 KUALA 07363 180847Z

DEPRESSION OF TIN MARKET AND EXPORT CONTROLS HAS BEEN PARTICULARLY

HARD ON MALAYSIAN TIN INTERESTS.

2. GOVERNMENT IN OCTOBER 1975 ANNOUNCED FORMATION OF NEW PROGRAM TO ASSIST SMALL-SCALE, MARGINAL TIN PRODUCERS WHO WERE BADLY EFFECTED BY ITC QUOTAS. THE GOM SET ASIDE PART OF MALAYSIAN EXPORT ALLOTMENT INTO "HARDSHIP QUOTA POOL" WHICH WOULD BE ALLOCATED TO MARGINAL MINERS WHO WERE SO ADVERSELY EFFECTED THAT THEY ALSO WOULD BE FORCED OUT OF BUSINESS IF NOT HELPED. THE POOL ITSELF IS NOT LARGE, 10,000 PICULS (ONE PICUL EQUALS 133 LBS) OF TIN CONCENTRATES, BUT DEMONSTRATED THE GOM'S INTENTION TO TRY TO HELP MARGINAL MEMBERS OF THE INDUSTRY. BY DECEMBER, 200 MARGINAL MINES, MOST OF WHICH HAD A MONTHLY PRODUCTION OF LESS THAN 200 PICULS, WERE GIVEN 8,677 PICULS FROM THE HARDSHIP POOL.

3. HARDSHIP QUOTA POOL, THOUGH GREATLY APPRECIATED BY MINES WHICH WERE BENEFITED, IS ONLY STOP-GAP MEASURE. CENTRAL PROBLEMS OF LOW PRICE, LOW DEMAND FOR TIN, AND NECESSITY FOR IMPOSITION OF THE ITC QUOTAS REMAIN. LEADERS OF CHINESE MINING ASSOCIATION HAVE DEMANDED THAT CONSUMER COUNTRIES GREATLY INCREASE THEIR CONTRIBUTION TO ITC BUFFER STOCK SO THAT STOCK COULD BE EXPANDED. IN ADDITION THERE IS A CALL FOR AN EVEN HIGHER FLOOR PRICE FOR THE BUFFER STOCK REFLECTING INCREASED FUEL AND OTHER COSTS. ASSOCIATION, WHOSE MEMBERS OPERATE MOST ALL THE GRAVEL PUMP MINES IN MALAYSIA, HAS NOT COMMENTED ON PROBLEM OF UNCONTROLLED TIN EXPORTS OF PRC (SEPTEL). END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE. MINISTER MUSA HITAM IN INFORMAL ASIDE TO EMBOFF SAID THAT TIN IS HIS BIGGEST HEADACHE AND THAT HE DOES NOT SEE EARLY SOLUTION TO PROBLEM. END LIMITED OFFICIAL USE.

5. BEGIN UNCLASSIFIED. COMMENT: FURTHER ITC EXPORT CONTROLS FOR FIRST QUARTER OF 1976 WERE, OF COURSE, FULLY EXPECTED BY THE MALAYSIAN MINING INDUSTRY. MALAYSIAN ITC APPORTIONMENT (13,952) IS 1,308 TONS LESS THAN LAST QUARTER 1975. THIS WILL PLACE GREATER STRAIN ON MARGINAL UNITS IN INDUSTRY BUT NECESSITY OF ACTION IS CLEARLY UNDERSTOOD BY INDUSTRY. MINISTRY PRIMARY INDUSTRIES NOTED THAT ALTHOUGH EXPORT CONTROLS HAD NOT INCREASED TIN PRICE SIGNIFICANTLY, EXPORT QUOTAS HAD HELPED STABILIZE MARKET. DIFFICULT JUDGE WHETHER MORE GRAVEL PUMP OPERATIONS WILL
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PAGE 03 KUALA 07363 180847Z

FALL OUT UNDER NEW APPORTIONMENT. GOM INTENDS RETAIN HARDSHIP QUOTA POOL BUT DECISIONS ON SIZE AND ALLOCATIONS NOT YET MADE. END UNCLASSIFIED. END COMMENT.
UNDERHILL

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